

Targeting the Uninsured in Washington State

Introduction and Key Findings

In this report we examine patterns of insurance coverage and characteristics of the uninsured population in Washington in order to identify groups for targeted interventions to reduce the uninsured rate. We also examine the potential effect of public program expansions in improving access for the uninsured and identify populations that might benefit from measures to strengthen private insurance markets. Finally, we measure the affordability of current public and private insurance products.

This report is presented to the program staff of the Washington State Planning Grant on Access to Health Insurance. It represents the research findings and opinions of the consultant team. The research was funded by the U.S. Department of Health and Human Services, Health Resources and Services Administration, as part of the Washington State Planning Grant on Access to Health Insurance. The project was managed by the Washington State Planning Grant staff, who collaborated with a consultant team consisting of the University of Washington Health Policy Analysis Program, Rutgers University Center for State Health Policy, RAND, William M. Mercer, Incorporated, and the Foundation for Health Care Quality to produce this report.

This report describes the insured and the uninsured and identifies possible groups for policy or community interventions. Companion reports in the Washington State Planning Grant project include policy papers that examine in some detail possible targeted interventions.

Chapter 1 of this report, “Insurance Coverage in Washington,” examines current patterns of coverage and notes recent trends in levels and sources of insurance coverage.

Chapter 2, “A Profile of Washington State’s Uninsured,” examines the characteristics of the uninsured to identify major gaps in coverage and possible targeted interventions.

Chapter 3, “The Role of the Family in the Insurance Status of Children,” investigates the relationship between family characteristics and children’s insurance coverage.

Chapter 4, “Availability of Public and Private Insurance Coverage,” provides a description of public program eligibility and documents the availability of private coverage in the employer-based market. It identifies characteristics of employers and their workers that are related to the likelihood that a worker is employed in a business offering health insurance coverage.

Chapter 5, “Eligibility for Public and Private Insurance Coverage,” examines the specific public and private insurance sources that the uninsured can access and barriers to that access. This chapter also examines the effects of changes in public program funding, particularly the Basic Health program, on potential coverage.

Chapter 6, “Affordability of Public and Private Coverage,” looks at living expenses commonly faced by families and estimates what proportion of uninsured individuals with various characteristics have access to affordable public or private coverage.

Chapter 7, “The Role of the Safety Net,” describes health care delivery systems that provide care to people who are *without* health insurance. We include a brief assessment of strengths and weaknesses of that system.

Chapter 8, “Conclusion: Gaps and Barriers in Coverage, and Implications for Policy,” recaps the key findings and the policy implications of the results.

The analyses in Chapters 2 through 6 are based primarily on data collected in the 2000 Washington State Population Survey (2000 WSPS). However, the consultant team’s researchers used three other surveys to impute important characteristics for our analysis that were not measured in the 2000 WSPS. These include the 1998 Washington State Population Survey (for a measure of any period of uninsurance during the year); the 1997 RWJF Washington Family Health Insurance Survey (for a measure of the length of the uninsurance spell in progress); and the 1997 RWJF Employer Health Insurance (for detailed information about the offer of employer health insurance). The imputation involves matching observations in the 2000 WSPS to the other surveys based on characteristics common to each. The imputation can be thought of as reweighting the data in the other surveys to match the distribution of characteristics of the population in the 2000 WSPS. The matches are based on characteristics that are common to the different surveys.

Some charts in this report include a statistical adjustment to examine the effect of certain characteristics after controlling for their correlation with other factors that are related to uninsured rates. Many of the characteristics that we examine are related; for example, noncitizens have lower incomes than citizens; different racial/ethnic groups have different average incomes. Looking at each characteristic in isolation, therefore, may not give a good indication of the primary factors related to being uninsured. For example, if we adjust for the income differences between citizens and noncitizens, differences in the uninsured rate between citizens and noncitizens diminishes.

The unadjusted numbers give the actual proportion of a subgroup with a particular characteristic that is uninsured and so highlight groups with important gaps in coverage. However, the adjusted numbers give a better measurement of the importance of the characteristic in explaining the lack of insurance because they remove differences in uninsured rates associated with other factors. Thus, the adjusted numbers help in formulating policy because they highlight the underlying causes of uninsurance. We have included footnotes listing the factors used in the adjustments where appropriate. Differences between subgroups, adjusted or unadjusted, that we report in the text of the discussion all meet conventional statistical significance standards unless otherwise noted.

Details about the imputation and the statistical adjustments are discussed in a **Methodology Appendix**, which also describes procedures used in the public program eligibility analysis, measurement of access to affordable coverage analysis, and estimation of the price of premiums faced by employers who do not offer insurance. A **Data Appendix** contains estimates of the population size for a number of the key groups studied in our analysis.

A companion report, Research Deliverable 3.3: *Income Adequacy and the Affordability of Health Insurance in Washington State*, examines geographical patterns of affordability for various public and private insurance products.

Key Findings

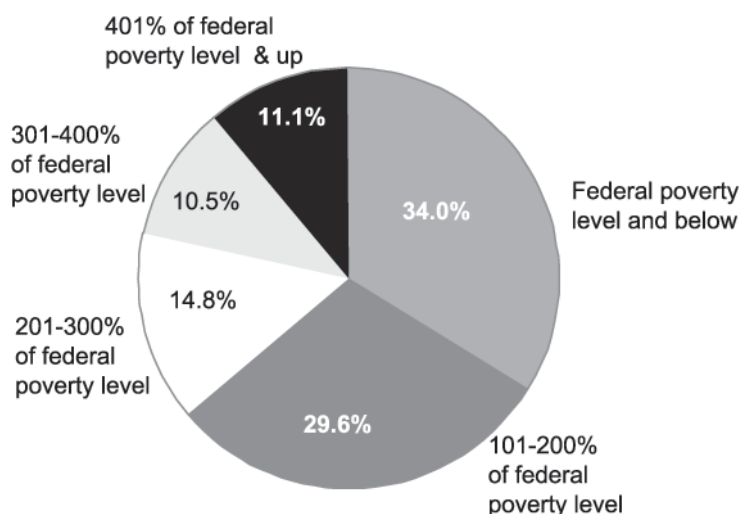
The Typical Uninsured Person Under Age 65 in Washington:

- Is low-income—at or below 200 percent of the federal poverty level (64 percent of the uninsured, or 308,000*)
- Is an adult without children (53 percent of the uninsured, or 256,000)
- Is between the ages of 19 and 34 (43 percent of the uninsured, or 210,000)
- Is in a family or household with at least one employed person (75 percent of the uninsured, or 365,000)
- Is uninsured for at least a year (75 percent of the uninsured, or 363,000)
- Is white (67 percent of the uninsured, or 324,000)

Out of 5,241,000 people under the age of 65 in Washington in the year 2000, 484,000, or 9.2 percent, were uninsured. The uninsured are primarily low-income, and low-income families are much more likely to be uninsured than higher-income families. This suggests that not having enough money to afford health insurance may be the key barrier to insurance. Most uninsured are also young, childless adults, who are often ineligible for public insurance programs. The vast majority of the uninsured are workers or their dependents; this indicates that policies to expand the private employer-based system may deserve consideration.

Although certain individual characteristics—such as being an ethnic minority or living in the eastern rural side of the state—are associated with a higher likelihood of being uninsured, the majority of the uninsured in Washington do not share these characteristics. Therefore, if policies or partnerships are to assist the majority of the uninsured, general characteristics, such as low-income individual, single adult, and in a family where workers do not have access to health insurance, are important criteria for targeting. Conversely, knowledge of populations with particularly high rates of uninsurance—such as Hispanics—may be important for outreach efforts directed at underserved populations.

Distribution of the Uninsured Population Under Age 65 by Income, 2000



Source: 2000 Washington State Population Survey. Data refer to the population under 65.

*Note: In this publication, population numbers are rounded to the nearest 1,000.

Employment-Based Insurance in Washington:

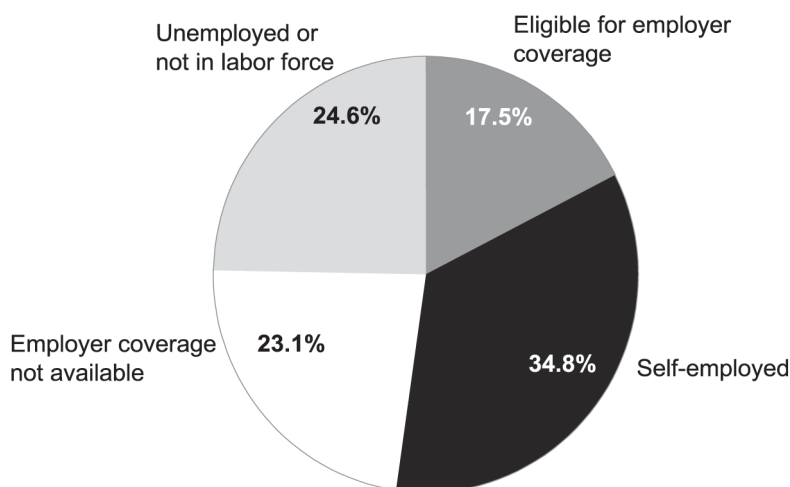
- Is the most prevalent form of insurance (covering 71 percent of the population under 65)
- Is widely available to Washington workers (80 percent work in a firm that offers insurance to at least some of its employees)
- When available, almost always offers family coverage (99 percent)
- Is offered to fewer than one in five of the uninsured (17.5 percent, or 85,000 uninsured)
- Is least available in small firms (fewer than 10 workers) and those with a high percentage of low-wage workers, part-timers, women workers, and young workers (under age 30)

Expanding employment-based insurance for workers or their dependents who are currently uninsured would potentially reach a large number of uninsured, but reaching these individuals is not simple. Although almost one in five uninsured are eligible for employer coverage, most workers and dependents eligible for coverage are already insured, even if they are low income. Expanding access for low-income, uninsured workers through employers also poses challenges in targeting. Although many low-wage workers work for small, low-wage businesses that do not offer coverage, not all do. Moreover, although small, low-wage businesses are less likely to offer coverage, still many do so. Finally, some workers (e.g., younger and low-wage workers) may be less likely to accept coverage even if offered, meaning that subsidies to employers may not have the desired effect of increasing coverage.

About one-quarter of the uninsured do not have a current job, but almost half of this group recently lost a job or are looking for work. Policies to reduce the cost of transitional coverage might benefit this population.

Many of the uninsured are self-employed people or their dependents. These individuals already receive a federal tax subsidy for the purchase of insurance that increases with income, and the rate of this subsidy is scheduled to increase. However, uninsured rates in this group are not strongly related to income, indicating that financial subsidies may not close the insurance gap.

Distribution of the Uninsured by Employment Status and Eligibility of Employer Coverage, 2000



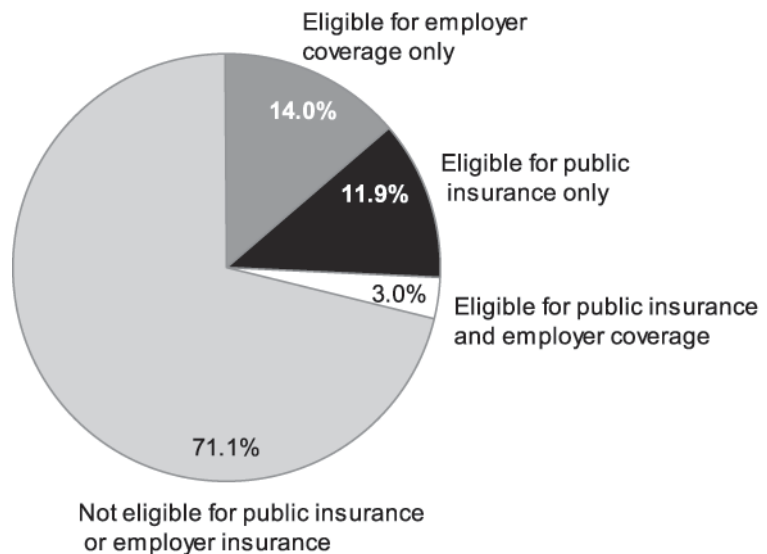
Source: 2000 Washington State Population Survey. Data refer to the population under 65.

Public Insurance in Washington:

- Provides primary coverage for 20 percent of children and 12 percent of adults. This proportion has been increasing over time, primarily due to expanding eligibility standards.
- Insures more than a third (34.6 percent) of the population under 65 with incomes less than 200 percent of the federal poverty level (FPL).
- Provides potential access to about 76 percent of uninsured children under current eligibility and funding, but to only 30 percent of uninsured parents. Access for uninsured, childless adults is even lower, at less than 10 percent.
- If expanded by 50,000 enrollees, would decrease the percent of adults without access to public or employer insurance to 59 percent. If Basic Health had no enrollment limits, allowing all adults at 200 percent of the federal poverty level or below to enroll, only one in four currently uninsured adults would lack access to public or employer coverage.

Public insurance has proven highly effective in closing the insurance gap for children in Washington. Conversely, adults without children are the group most likely to be uninsured and have the worst access to public or private insurance. Reduced access for adults is related most directly to the enrollment limitations of the subsidized Basic Health program, which would otherwise cover all adults up to 200 percent FPL. New funding for Basic Health, authorized by a recent voter initiative, will allow for enrollment expansions over the next several years.

Access to Insurance Among Uninsured Adults Under Current Funding, 2000



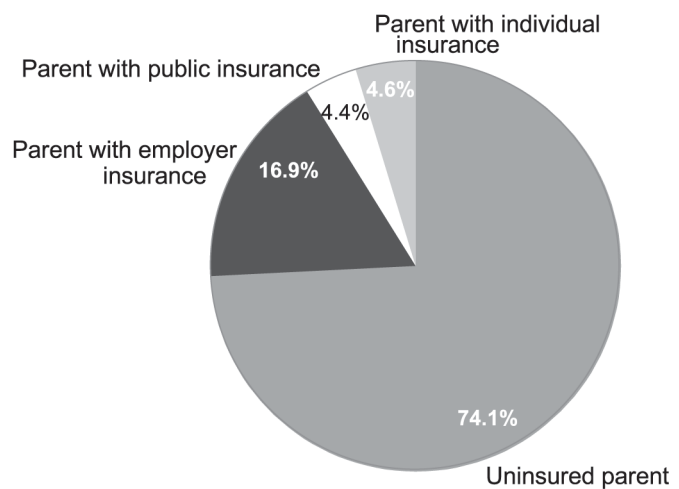
Source: 2000 Washington State Population Survey. Data refer to the population under 65.

Expanding Coverage for Children:

- Children are less likely than adults to be uninsured (7.1 percent of all children, or 116,000, remain uninsured).
- Nonetheless, one in four of the uninsured are children.
- Although 68 percent of children with uninsured parents are uninsured, only 2 percent of children with insured parents are uninsured.
- Three out of four (74 percent, 86,000) uninsured children have uninsured parents.
- About 60 percent of uninsured children are school-aged (about 73,000 uninsured children in 2000).
- Most uninsured children are in families where all children are uninsured. However, families that do insure some but not all of their children tend to cover the youngest and less healthy children.

Efforts to insure children have paid off, and as a result children are the group least likely to be uninsured (with the exception of senior citizens). However, 116,000 children are still uninsured in Washington. Given that most uninsured children are already eligible for public programs, strategies to insure them would entail outreach rather than eligibility changes. Schools might be a focus for outreach efforts given that 60 percent of uninsured children are of school age. Also, since the insurance status of the parent is a key predictor of the insurance status of children, efforts to expand coverage for families may be effective in reducing the number of uninsured children.

Distribution of Uninsured Children by Parent's Insurance Status, 2000



Source: 2000 Washington State Population Survey. Data refer to the population under 65.

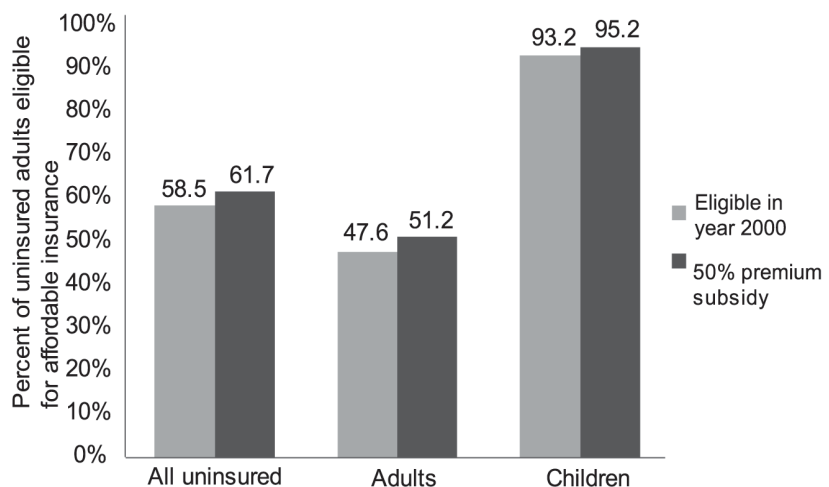
Affordable Public or Private Insurance Coverage in Washington:

- Is not accessible to half of uninsured adults, but only one in ten children lack affordable access.
- Is available to most (80 percent) of the uninsured with access to employer coverage.
- Would be only slightly more accessible even with a 50 percent premium subsidy to the price of public or private insurance.
- Is available to most uninsured adults and children above 200 percent FPL.
- Is available to only four in ten uninsured childless adults, but two of three parents have access to affordable coverage.
- Is available to only one in four adults at 200 percent FPL or below. With full funding of Basic Health, three out of four low-income adults would have access to affordable coverage.

Is the insurance available to uninsured persons affordable? We examine what proportion of different segments of the uninsured population have access to insurance within the constraints of estimated family budgets. Our analysis shows that getting affordable coverage is mainly a problem for uninsured adults, with half of the uninsured adults in the state not having access to affordable coverage. Most uninsured children have access to affordable coverage, because they are often able to participate in public programs with no premiums or cost-sharing. Three-quarters of uninsured, low-income adults and 60 percent of uninsured, childless adults do not have access to

affordable coverage in either private or public markets. A 50 percent premium subsidy would have only modest effects, suggesting that very large subsidies are likely to be needed to expand coverage via the private insurance market. If there were no enrollment limitations on Basic Health, affordable coverage would be available to three-quarters of the uninsured, low-income population.

Access to Affordable Insurance, All Uninsured, Adults, and Children, Current and With 50 Percent Premium Subsidy, 2000



Source: 2000 Washington State Population Survey. Data refer to the population under 65.

Washington's Safety Net:

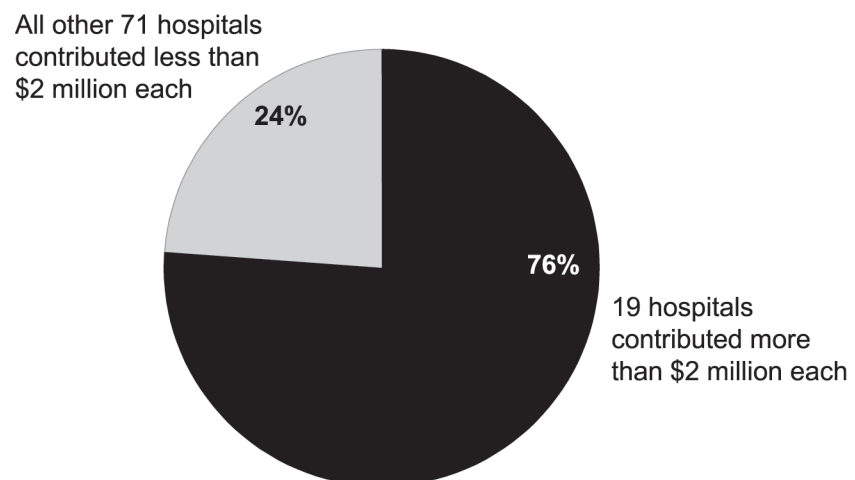
- Relatively few hospitals provide most of the hospital charity care that is delivered in Washington. Nineteen of the 90 hospitals in the state provided 76 percent of all hospital charity care in 1999.
- Harborview Medical Center alone provides more than 23 percent of the statewide total contributed to charity care.
- The number of uninsured patients served by community and migrant health centers increased by more than 34 percent from 1992 to 2000. The uninsured dropped as a percentage of all patients seen by these community health centers from 39 percent to 29 percent during the same period.

Approximately 484,000 Washington residents under age 65 were uninsured in 2000. Many uninsured people rely on the health care safety net when they need health care services. Although most doctors and hospitals serve this population, safety net providers care for a disproportionate share of the uninsured. Safety net providers include many hospitals, community and migrant health centers, and rural health centers.

Research has shown that the safety net in Washington is strong. In several studies, Washington ranked high among states in the resources devoted to the safety net.

Whether this capacity translates into greater access to services is not as clear. Some research suggests that expanding the safety net may be a way to increase access, but other research suggests that expanding insurance may be a better strategy.

Figure 7-2. Total Hospital Charity Care Spending by Whether Hospital Contributes More or Less than \$2 Million in Charity Care, 1999



Source: Washington State Department of Health, Center for Health Statistics, 1999.

Policy Implications and Challenges

- **A combination of policies is likely to be necessary to solve the problems of the uninsured.** Policies to make existing employer-based coverage more affordable would target about 20 percent of the uninsured. Policies to encourage more employers to offer coverage would potentially benefit about 25 percent of the uninsured. Policies to help the temporarily unemployed could assist about one-quarter of the uninsured population. Expanded public program eligibility or more effective outreach are likely to be necessary to reach the one-third of the uninsured who have incomes below the federal poverty level.
- **Effective targeting is a challenge in designing policies to expand the employment-based system.** One-fifth of the uninsured do not participate in offered employer-sponsored insurance programs, but most employees who are offered coverage do participate. Similarly, businesses with primarily low-wage workers are much less likely to offer coverage than are other businesses, but more than half do offer coverage. As such, policies to increase employee take-up of insurance would benefit many who are already insured, and efforts to encourage employers of low-wage workers to offer coverage may benefit many employers who already offer insurance.
- **Substantial premium subsidies are likely to be necessary for the success of incentives designed to expand coverage.** Quite substantial differences in price have only modest effects on the likelihood of an employer offering and of an employee accepting offered coverage. Similarly, generous tax subsidies for the self-employed that increase with income would have only modest effects on insurance rates for the self-employed.
- **Expanded public program eligibility is likely to be necessary to close the gaps in coverage—especially expansions in family coverage and for childless adults.** Most uninsured children have uninsured parents, and policies to extend eligibility for public programs to parents may also reduce the number of uninsured children. Similarly, childless adults make up the largest proportion of uninsured and could benefit from expanded access to existing programs.
- **Administrative simplification, outreach, marketing, and other policy changes may be necessary to reach the uninsured through public programs.** Not all eligible individuals participate in public programs, either because they are not aware of them or because the programs are difficult to access. Further research is needed to better understand and reduce these barriers.
- **The changing nature of the uninsured population poses a number of challenges for effective policy design.** About 70 percent more people are uninsured at some time during the course of a year than are uninsured at a point in time. However, about 75 percent of the uninsured population at a point in time have been uninsured for one year or more. Policy design for the long-term uninsured differs from the transitional coverage options necessary for those experiencing short-term, uninsured episodes.